

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5285-01  
Bill No.: SB 1026  
Subject: Labor and Industrial Relations Department; Unemployment Compensation  
Type: Original  
Date: March 12, 2010

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Bill Summary: Denies unemployment benefits for those with outstanding overpayment penalties.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Special Employment Security Fund	\$846,798	\$846,798	\$846,798
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$846,798</b>	<b>\$846,798</b>	<b>\$846,798</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 5 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
Unemployment Compensation Trust Fund	\$12,000,000	\$12,000,000	\$12,000,000
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$12,000,000</b>	<b>\$12,000,000</b>	<b>\$12,000,000</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☒ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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## **FISCAL ANALYSIS**

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### ASSUMPTION

Officials at the **Department of Labor and Industrial Relations (DOLIR)** assume this legislative change proposes a claimant for unemployment benefits, who previously committed unemployment insurance fraud, will be ineligible until he/she has repaid the fraud penalty.

Overpaid benefits collected from claimants, as well as unemployment taxes paid by employers, are deposited into the trust fund, which can only be used to pay benefits. Penalties collected from claimants are deposited in the Special Employment Security fund, which can be used for administrative expenditures by DOLIR.

In most cases, claimants owe both overpaid benefits plus a penalty. As of July 31, 2009, there were \$56 million in outstanding overpayments and \$13.3 million in penalties owed. During calendar year 2008, a total of \$12 million in overpayments was recovered. During fiscal year 2009, DES received \$2.5 million in penalty income. As of August 1, 2009, there were 3,158 individuals with an active unemployment claim who owed penalties totaling \$846,798. If these claimants were denied benefits, assuming an average weekly benefit amount of \$255.26 with a 14.9 average weekly duration, the benefit payout saved per claimant would be \$3,803. If all 3,158 claimants were denied benefits, the potential savings to the Trust Fund would be approximately \$12 million annually. Assuming all 3,158 claimants paid the penalty owed; the Special Employment Security Fund would see additional revenue of approximately \$846,798.

The source of funding to administer this proposal is the department's federal administrative grant. It is anticipated up to three additional full-time employees (FTEs) would be needed to process appeals and hold appeals hearings for individuals who are determined to be ineligible. It is also anticipated two FTEs will be needed to process the additional payments and reconsider ineligibility determinations after full penalty restitution has been received. The Division is assuming the staffing needs will be absorbed into the existing department's federal administrative grant.

<u>FISCAL IMPACT - State Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
<b>UNEMPLOYMENT COMPENSATION TRUST FUND</b>			
<u>Savings</u> - denied benefits	<u>\$12,000,000</u>	<u>\$12,000,000</u>	<u>\$12,000,000</u>
<b>ESTIMATED NET EFFECT ON UNEMPLOYMENT COMPENSATION TRUST FUND</b>	<b><u>\$12,000,000</u></b>	<b><u>\$12,000,000</u></b>	<b><u>\$12,000,000</u></b>
<b>SPECIAL EMPLOYMENT SECURITY FUND</b>			
<u>Savings</u> - penalty money collected	<u>\$846,798</u>	<u>\$846,798</u>	<u>\$846,798</u>
<b>ESTIMATED NET EFFECT ON SPECIAL EMPLOYMENT SECURITY FUND</b>	<b><u>\$846,798</u></b>	<b><u>\$846,798</u></b>	<b><u>\$846,798</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

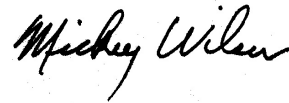
Claimants are denied unemployment benefits for any week the claimant has an outstanding overpayment penalty.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Department of Labor and Industrial Relations

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA  
Director  
March 12, 2010